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FISCAL IMPACT REPORT

SPONSOR Sanchez DATE TYPED 01/27/05 HB _____
 SHORT TITLE Counselor & Social Worker Gross Receipts SB 59
 ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY06	FY07			
(\$298.0)	(\$319.0)	(\$342.0)	Recurring	General Fund
(\$186.0)	(\$199.0)	(\$213.0)	Recurring	General Fund (Local Gov. hold harmless distribution) ¹
(\$484.0)	(\$518.0)	(\$555.0)	Recurring	Total Impact to General Fund²

(Parenthesis () Indicate Revenue Decreases)

1. TRD analysis assumes that the proposed deductions would be eligible for the local government “hold harmless” provisions that were adopted as part of the 2004 legislation.
2. Total impact to the general fund includes the estimated distribution amount given to local governments in lieu of revenues that should have been received before the deduction.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Department of Health (DOH)

SUMMARY

Synopsis of Bill

Senate Bill 59 expands the list of eligible health care practitioners eligible to receive tax deductions on gross receipts to include certain licensed counselors, therapists, and social workers. Current law allows these healthcare practitioners to deduct payments by a managed health care provider or health care insurer for commercial contract services or Medicare part C services from gross receipts. Licensed counselors, therapists, and social workers include professional clinical mental health counselors, marriage and family therapists, professional art therapists, baccalaureate social workers, master social workers or independent social workers.

In the current law, “commercial contract services” are defined as health care services performed by a health care practitioner pursuant to a contract with a managed health care provider or health care insurer other than those health care services provided for Medicare patients.

“Health care insurer” is a person that: (a) has a valid certificate of authority in good standing pursuant to the New Mexico Insurance Code to act as an insurer, health maintenance organization or nonprofit health care plan or prepaid dental plan; and (b) contracts to reimburse licensed health care practitioners for providing basic health services to enrollees at negotiated fee rates.

The effective date of the provisions in this bill is January 1, 2006.

PERFORMANCE IMPLICATIONS

According to DOH, New Mexico is continuing to experience a reduction in the number of available health care practitioners. Governor Bill Richardson has signed an Executive Order directing the implementation of specific activities to enhance New Mexico’s behavioral health workforce for the purpose of increasing the professional presence in the State. A concerted effort is now underway to recruit and retain behavioral health professionals, particularly in the rural areas of the state. Gross receipt deduction could function as a recruitment and retention incentive.

FISCAL IMPLICATIONS

TRD estimates the negative fiscal impact to the general fund at \$484 thousand in FY06, \$518 thousand in FY07 and \$555 thousand in FY08. TRD calculated this impact based on aggregate industry trends, which suggest that approximately half of these providers’ receipts are assumed to come from managed care insurers, and thus to be eligible for the new tax deduction. Occupational and industry data for the counselors and social workers covered in this bill was gathered from the Regulation and Licensing Department, Counseling and Therapy Practice Board and the Board of Social Workers; the National Association of Social Workers; the 1997 Economic Census; and the New Mexico Health Policy Commission. Gross receipts data came from the Department’s “Analysis of Gross Receipts by North American Industry Classification System (NAICS)”.

ADMINISTRATIVE IMPLICATIONS

According to TRD, if Senate Bill 59 passes, system coding and troubleshooting must be performed; forms and instructions must be revised; taxpayer education and seminar materials and instruction publications must be prepared; and department personnel must be trained on the new provisions. These changes can be implemented with existing resources. The department will not receive an administrative fee on the hold harmless distribution.

OTHER SUBSTANTIVE ISSUES

An important point raised by TRD is that receipts of health practitioners have historically grown more quickly than general revenue. Deducting these services reduces the rate of growth of revenue collections relative to the rate of economic growth. Deducting services from high-growth sectors from the existing tax base makes it harder for tax revenues to keep up with inflation.